

- U.S. Reps from Hudson Valley Provided MTA with \$110 Million for Operating Expenses to Prevent Hudson Valley Tax -

Washington, DC – After working to ensure that the Metropolitan Transit Authority (MTA) received \$110 million in federal funds to maintain service in the Hudson Valley and prevent a tax increase, U.S. Representatives John Hall, Nita Lowey, Maurice Hinchey, Eliot Engel, and Scott Murphy are calling on Governor David Paterson to immediately introduce legislation to reduce the MTA payroll tax by \$110 million, with the reduction applying to payrolls in the Hudson Valley.

"The payroll tax disproportionately affects residents of the Hudson Valley, whose access to MTA services are not uniform," the Members of Congress wrote in a letter to Paterson today. "Due to the nature of the tax, it falls disproportionately on small businesses based in these counties. These small businesses, unlike the larger businesses based in New York City, and even the residents of the region, benefit the least from the MTA service. These small businesses are the region's economic engine, and they should not be hit with a regressive tax, particularly in this time of economic crisis."

The U.S. Representatives worked to insert a provision into the Fiscal Year 2009 Supplemental Appropriations Act that allows transit authorities to spend up to ten percent of their American Recovery and Reinvestment Act (ARRA) funding for operating expenses. For the MTA, this would amount to approximately \$110 million. This is the first time since the 1970's that Congress has allowed federal funds to be used for operating expenses.

"Congress took this extraordinary step to stem reductions in service and staffing at transit agencies and also to prevent tax increases which in this time of economic crisis will only hurt small businesses and middle class families and stifle job creation and our recovery efforts," the Members of Congress wrote. "The State of New York has the responsibility to consider adjusting the payroll tax to reflect that the MTA has up to \$110 million in additional revenue that it could choose to use to offset this onerous tax."

The full text of the legislators' letter to Governor Paterson follows.

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The Honorable David A. Paterson Governor State of New York State Capitol Albany, NY 12224

Dear Governor Paterson:

We are writing to express our concern about the Metropolitan Transit Authority (MTA) Payroll Tax, and to bring to your attention recent Congressional action which could alleviate the affect of this tax on our constituents.

The payroll tax disproportionately affects residents of the Hudson Valley, whose access to MTA services are not uniform. For example, the Port Jervis Line, which services the west side of the Hudson River, does not at this time have a one-seat ride to New York City and has only one track, significantly limiting service. Therefore you can understand why our constituents are outraged that they are paying this tax. Further, they are also outraged that the tax is only assessed on residents of New York State, while suburbanites from Connecticut and New Jersey continue to enjoy access to the MTA's services without paying the unfair and regressive payroll tax.

Due to the nature of the tax, it falls disproportionately on small businesses based in these counties. These small businesses, unlike the larger businesses based in New York City, and even the residents of the region, benefit the least from the MTA service. These small businesses are the region's economic engine, and they should not be hit with a regressive tax, particularly in this time of economic crisis.

Congress recently acted to provide relief to transit agencies who are struggling to meet their operating expenses due to the recession. Section 1202 of PL-111-32, the Fiscal Year 2009 Supplemental Appropriations Act allows transit authorities to spend up to ten percent of their American Recovery and Reinvestment Act (ARRA) funding for operating expenses. For the MTA, this would amount to approximately \$110 million.

This is the first time since the 1970's that Congress has allowed federal funds to be used for operating expenses. Congress took this extraordinary step to stem reductions in service and staffing at transit agencies and also to prevent tax increases which in this time of economic crisis will only hurt small businesses and middle class families and stifle job creation and our recovery efforts.

The MTA has declined to utilize the authority granted under Section 1202. We believe that this is unfortunate. We also feel that the State of New York has the responsibility to consider adjusting the payroll tax to reflect that the MTA has up to \$110 million in additional revenue that it could choose to use to offset this onerous tax.

Therefore we respectfully request that you submit legislation to immediately reduce the payroll tax by \$110 million, with the reduction applying to payrolls in the Hudson Valley.

Thank you in advance for your consideration of our request.